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The Political Economy of State Governance in Global Production Networks: Change, Crisis and Contestation in the South African Fruit Sector

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Within the global value chain (GVC) and global production network (GPN) literatures, one of the most vibrant areas of debate focuses on the dynamics of governance – that is, ‘the concrete practices, power dynamics, and organizational forms that give character and structure to cross-border business networks’ (Ponte and Sturgeon 2014: 200). A core argument of the early GVC/GPN literature² was that governance, a term previously limited to the state’s role in political activity, could be applied to commercial relations coordinated by and between private companies. This resulted in Gary Gereffi’s (1994) seminal distinction between buyer- and producer-driven chains, and subsequent formulations have been proposed to better understand how private firms govern commercial transactions with lower-tier suppliers (Gereffi et al. 2005; Coe et al. 2008). However, it is fair to say – and increasingly recognized – that the evolution of GVC/GPN governance debates over time has been marked a persistent streak of firm-centrism, to the detriment of systematic attention to states, public authority and politics.

Whilst the state has always formed a part of the conceptual landscape of governance in GVC/GPN debates, it has often been left lurking in the background, deemed to play a basic role in shaping the wider policy context within which GVCs/GPNs function. The term ‘governance’ has tended instead to be used to refer to ‘chain governance’, understood as the

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² Argument continues concerning the relative merits of the GVC and GPN labels in the debate about the changing political economy of global production. We consider much of this debate to overstate the differences between the two, and find that the preoccupation with academic branding is much less attractive than grappling with the subject matter which is common to both strands of this debate, despite some differences of emphasis. We therefore deploy the GVC/GPN formulation here – which has been increasingly favoured in the literature – in order to support the better integration of these perspectives.

governance by lead firms of suppliers within the value chain (Gereffi et al. 1994: 96). Recently, the notion of ‘private governance’ has gained pre-eminence in relevant literatures, referring mainly to governance by firms and business actors of activity within GVCs/GPNs and the various standards (labour, social, environmental) which are shaped by their commercial dynamics. While highly valuable in themselves, we suggest that these debates stand in need of a broader understanding of the political economy of governance in the context of GVCs/GPNs, capable of appreciating in greater depth the centrality of state power and public authority in the landscape of governance, and encompassing a wider array of governance agents, including states (Bair 2005; Levy 2008; Mayer and Phillips 2017). Happily, we have lately seen an accelerating commitment to developing such an understanding, incorporating states more centrally into GVC/GPN governance debates (e.g. *Review of International Political Economy* 2014; Smith 2015; Mayer et al. 2017; Horner 2017), and to supplementing interest in private governance with attention to the interactions between private and public governance, especially in relation to how improved standards in GVCs/GPNs can be achieved (e.g. Vogel 2010; Esbenshade 2012; Locke 2013).

Our aspiration is to contribute to this growing demand for a more robust political economy of governance in GVC/GPN debates. We take as our starting point a three-fold typology of the key governance functions of the state, classified as *facilitative*, *regulatory* and *distributive* (Gereffi and Mayer 2006; Mayer and Phillips 2017). Our first purpose is to use this typology to investigate empirically how the dynamics of state governance in these three dimensions play out ‘on the ground’ in a specific political-economic context, namely, the South African fruit sector. We pay particular attention to the labour crisis that occurred in this sector between November 2012 and March 2013, involving an unprecedented and globally significant wave of strike action on the part of farmworkers in the Western Cape, the epicentre of South Africa’s commercial fruit industry, and seek to understand how evolving forms of state governance fit into the picture of the genesis and unfolding of this crisis. Our key empirical observation from this analysis is the failure of state governance to achieve both stated regulatory aims and improved distributive outcomes in South African fruit. Consequently, our second purpose is to explain this failure, and explore what this tells us about the dynamics of state governance in the context of GVCs/GPNs and its potential efficacy for improving labour conditions in global production.

Our argument identifies core tensions prevailing within and across the three dimensions of state governance that form our focus, and empirically we demonstrate how the tension

between facilitative and regulatory governance disabled the government's efforts to achieve better distributive outcomes for producers and workers in South African fruit. We contend that these tensions within state governance accounted for the emergence of the labour crisis of 2012/13, and show how this instance of political mobilization and contestation pushed state governance strategies in the direction of further regulation with the aim of improving conditions for producers and workers, but was ultimately unsuccessful in spurring meaningful change. The persistence of these tensions is in turn revealing of a bigger picture relating to the interaction between public and private governance in the context of global production, inasmuch as the purposes and/or effectiveness of state governance are routinely undercut by the competitive commercial dynamics of GVCs/GPNs. This pattern, sharply illustrated by the unfolding of the South African labour crisis, carries broader implications for our theorization and analysis of governance in GVCs/GPNs: it points to the importance of a 'relational' understanding of state governance, which reveals how the dynamics of governance are shaped both by continual political contestation and by the competitive commercial context of GVCs/GPNs.

The article proceeds as follows. The opening section explores governance debates in the GVC/GPN and cognate literatures and sets out a framework for our empirical inquiry. The second section uses the three-fold typology of facilitative, regulatory and distributive governance to offer an account of the development of the South African fruit sector and the role of state governance in shaping the sector's insertion into GVCs/GPNs. The third section focuses on the labour crisis of 2012/13 to explore how and why state governance in this context – as in so many others – should have proved enduringly ineffective in achieving governments' regulatory objectives as well as improved distributional outcomes for workers and producers. The conclusions draw the discussion back to the 'big picture' theorization of governance in the context of GVCs/GPNs, highlighting how our findings contribute to ongoing debates surrounding both state governance and the relationship between public and private power.

States and state governance in GVC/GPN debates

Although Gereffi and other pioneers of the GVC approach sought to recognize the 'major role' that state policy plays in that mode of economic organization (Gereffi 1994: 100; Bair and Gereffi 2001; Gibbon and Ponte 2005), most early GVC analysis was strongly influenced

by the notion that economic globalization was propelling a ‘retreat’ of the state. The influence and role of the state were perceived as being eroded by commercial forces inherent in value chains and the dispersal of authority to myriad private actors, leading to a situation in which states were deemed to be essentially irrelevant to the task of understanding economic governance. It is notable that attention to the state was largely limited to a concern with policy, and the ways in which certain types of policy-based governance shape commercial dynamics within the chain. As a result, early contributions to the GPN framework acknowledged that although the GVC approach helpfully de-centred the nation-state as a locus of economic analysis, it instead ‘privileges the role of the industrial sector and marginalizes the continued importance of state regulation’ (Dicken et al. 2001: 100; Henderson et al. 2002). Many of these traits remain in the contemporary literature. While GVC-based contributions have for some time sought to emphasize the importance of the state in the institutional landscape of GVC governance, nevertheless states have remained overshadowed by a core focus on the predominantly inter-firm dynamics of chain governance (Mayer and Phillips 2017).

The GPN approach was initially proposed as a broad relational framework for moving beyond the GVC formulation, notably to carve out more space for attention to the ‘institutional framework’ of production (Dicken et al. 2001: 100), conceptualized as being constituted by a range of complex processes and inter-relationships between state and non-state actors. Building on the core insight that ‘among the multiplicity of regulatory institutions ... all the elements in GPNs are regulated within some kind of political structure whose basic unit is the national state’ (Coe et al. 2008: 282), scholars adopting the GPN frame of reference have underlined the importance of understanding the role of the state in terms of its relationships with other GPN actors (Alford 2016). Firms operating in GPNs are embedded in different regulatory and institutional contexts, from the national to the local level, which in turn affects the prospects for development in those locations.

These insights represent a considerable advance in the framing of governance in GVC/GPN debates. However, despite such ambitions, it is acknowledged that most studies carried out under the banner of GPN research have not focused on these complex arrangements in any great detail; much GPN research is, in reality, substantially similar to GVC analysis, focusing on the forms of commercial power which structure the production process and the capture of rents due to firm-level expertise and skills in co-ordinating complex networks (Levy 2008; Bair 2009; Coe et al. 2008; Glassman 2011; Alford 2016; Mayer and Phillips 2017).

Furthermore, the ongoing discussion of governance in both the GVC and GPN strands of the literature places emphasis on the issue of state regulation as a mechanism of economic coordination, rather than political contestation or the broader governance institutions in which markets are embedded. These tendencies have led critics for some time to argue that both the GVC and GPN frameworks appear to be ‘converging with more conventional approaches to competitiveness and losing touch with their more critical origins’ (Levy 2008: 951; Bair 2005, 2009).

A parallel literature concerning private governance and corporate social responsibility, which has become central to the study of governance in GVC/GPN debates, has similarly tended to be shaped by a view of diminishing state authority. The perceived erosion of the state leads to the suggestion that the global economy is characterized by a range of ‘governance deficits’, and consequently that private governance and private standards have necessarily emerged, spurred on by civil society pressure, to fill the governance spaces vacated by states (e.g. Gereffi and Mayer 2006; MacDonald 2014). A key premise in this literature is that national states face challenges in governing globalized economic activity, where standards such as those relating to labour are increasingly influenced by private actors, such as global buyers, operating outside the national sphere of regulation and legislation. In the context of a ‘race to the bottom’ with the dismantling or absence of public governance initiatives designed to protect workers operating in GVCs/GPNs, a plethora of private governance innovations has emerged, such as corporate codes of conduct and fair and ethical trade schemes, which have ‘interceded selectively into the gap left through this rolling back of the state’ (Neilson and Pritchard 2010: 1849; O’Rourke 2006; Utting 2008; Robinson 2009; Esbenschade 2012).

There is much value in the underpinning insights here concerning the rising importance of private governance. Yet the preoccupation with the significance of this trend has come unduly to displace a concern with public governance and the place of the state in the landscape of GVCs/GPNs. Rather than replacing the state or compensating for its supposed absence, a rich literature emphasizes how public and private regulatory power are always intertwined: private regulation is articulated in the ‘shadow of the state’ (Abbott and Snidal 2009); state regulatory capacity is critical to the enforcement of transnational private regulation (Verbruggen 2013); political contestation is critical to determining the forms that emerging private regulatory institutions and mechanisms have taken (Bartley 2007; Green 2014; Bair and Palpacuer 2015; Bartley et al. 2015; Bartley and Egels-Zanden 2015; Fichter and McCallum 2015; Tsutsui and Lim 2015); regulatory authority is purposefully ‘delegated’

or ‘outsourced’ by states to private actors (Cutler 1999; Büthe and Mattli 2011; Green 2014; Mayer and Phillips 2017).

Recent contributions have also reflected a surging interest in ‘public-private governance’, aspiring to capture the complexity of ‘hybrid’ forms of governance shaped by the interactions of public and private forces. The starting point is the observation that private governance initiatives alone have been ineffective in achieving improvements in social and labour standards in GVCs/GPNs (Bartley 2011; Esbenshade 2012; Locke 2013; Appelbaum and Lichtenstein 2016). It is persuasively argued that a re-assertion of public authority and state governance is necessary to achieve such improvements, and indeed that there are emerging signs of a ‘regulatory renaissance’ amongst certain developing countries in the form of strengthened labour regulatory institutions and increased legislative protection (Piore and Schrank 2008; Levi-Faur 2011). A rich literature offers varied insights. Much is deemed to depend on the ‘intersection’ of national governments’ incentives and local firms’ interests in protecting labour rights – and, as such, political institutions and political actors’ interests remain critical (Mosley 2017). Labour regulation is demonstrated to be most effective when transnational regulatory initiatives by non-state actors (that is, supply chain initiatives by transnational firms) act to reinforce state regulation (Amengual and Chirot 2016). State capacity is critical for better regulation, but at the same time is not alone sufficient to achieve improvements in labour rights given that the root cause of violations is the business models and sourcing practices of lead firms (Anner et al. 2013). Enhanced state capacity only leads to such improvements when associated with changes leading to the better representation of workers’ interests within the political system, pointing to the necessity of ‘political will’ alongside the enhanced institutional capacity of the state (Berliner et al. 2015).

These insights are critical for our purposes in this article, and we will return later to consider what light is shed on them by our exploration of state governance dynamics in the South African fruit sector. To frame this enquiry, we mobilize a three-fold analytical typology of modes of state governance in the GVC/GPN context, encompassing *facilitative*, *regulatory* and *distributive* governance (Gereffi and Mayer 2006; Mayer and Phillips 2017). Facilitative governance intersects with the familiar notion of market facilitation, but in this context is defined as the strategies and policies that support the formation and operation of GVCs/GPNs. Far from being passive agents, states are architects in creating the conditions for the emergence and proliferation of GVCs/GPNs at both global and local levels (Mayer

and Phillips 2017), and policy strategies in large parts of the world are oriented to achieving national development through ‘upgrading’ in GVCs/GPNs (Gereffi 2014).

Regulatory governance involves ‘either restraining or requiring behaviours of firms, often for the purpose of reducing negative externalities or other market failures’ (Mayer and Phillips 2017). State regulatory governance strategies encompass not only active regulation, but also active de-regulation, the maintenance of unregulated environments, or the ‘outsourcing’ to private actors of regulatory functions, including standard-setting. Hence one of the key points of interest relevant to regulatory governance concerns the complex interplay between public and private forms of regulation, including in relation to labour standards.

Distributive governance concerns the strategies pursued to shape distributive outcomes: in essence, the question of who gets what, who wins and who loses from particular forms of political-economic organization. In the GVC/GPN context, much of the interest is directed to the distribution of ‘rents’ or ‘gains’ among different actors in the chain, and how the functioning of GVCs/GPNs both rests on and generates patterns of wider inequality (Kaplinsky 2005; Milberg and Winkler 2013; Phillips 2017). Distributive outcomes are not simply the result of market or commercial dynamics, but rather are strongly shaped by state governance strategies, involving such mechanisms as social policy, tax policy, labour law, or the regulation of labour mobility.

State governance in South African fruit GVCs/GPNs

Taking these three dimensions of state governance to post-apartheid South Africa, it is readily apparent that conventional ‘retreat of the state’ assumptions are of little value in understanding the evolving political economy of governance in the fruit GVC/GPN. From 1994 onwards, the African National Congress (ANC) government pursued a dual-track governance strategy, aiming to combine concerted facilitative governance with active regulatory and distributive strategies. With the crystallization of GVC/GPN structures in the sector, the global commercial terrain was shifting from a free market to one dominated by increasingly powerful oligopolistic lead-firm buyers, driven by a process of supermarket expansion and consolidation in Europe, the principal export destination of South African fruit (Ewert and Du Toit 2005). The South African government’s facilitative strategy was pursued through conventional means of market deregulation, such that, having received extensive

protection under the apartheid government, from the mid-1990s onwards South African fruit producers were suddenly exposed to the twin forces of global competition – especially from other southern-hemisphere fruit-producing nations such as Chile and New Zealand – and increasingly powerful and co-ordinated European supermarket buyers, either directly or via intermediary agents (Williams et al. 1998; Mather and Greenberg, 2003; Kritzinger et al., 2004).

Supermarket lead firms have achieved market dominance through implementing increasingly stringent private standards governing fruit quality and safety, as well as best-practice agricultural production and ethical procedures on farms, whilst demanding consistent supplies of low-cost produce (Dolan and Humphrey 2000; Barrientos and Kritzinger 2004; Barrientos and Visser 2012; Alford 2016). The resulting commercial pressures facing South African fruit producers have been described as a ‘catch-22’ situation, whereby producers are required to adhere to increasingly strict product quality standards whilst absorbing increasing production costs and commercial risk, which are off-loaded onto them by lead firms and intermediaries along the value chain (Barrientos and Kritzinger 2004; Barrientos 2008). These commercial pressures have resulted in the significant restructuring and casualization of the South African agricultural farm workforce, such that the distributive outcomes for small producers and workers in the GVC/GPN have been increasingly regressive.

What is comparatively different about the South African case is that this familiar story of facilitative governance strategies was not accompanied by regulatory capitulation. Cutting against the global trend towards dismantling labour protections, the government from 1994 onwards sought to ease the political transition by enacting a raft of labour regulations which would govern agricultural production, aimed at eradicating exploitative labour relations and improving employment conditions (Du Toit 2004; Ewert and Du Toit 2005). Yet this evolving regulatory-distributive governance strategy was unsuccessful, failing to divert or resolve a major labour crisis in 2012/13 as wages and working and living conditions in the Western Cape continued to deteriorate under intensified commercial pressures.

In this section we flesh out this sketch of the South African fruit sector through the lens of our three dimensions of state governance, as a prelude to a more detailed exploration in the following section of the labour crisis and what it reveals about political contestation of state governance and the interactions of public and private power in the fruit GVC/GPN. Our discussion draws on primary empirical data gathered through original field research

undertaken in 2012/13. The research involved in-depth qualitative case-study analysis of 13 commercial farming units located in Ceres, in the Western Cape of South Africa, producing deciduous fruit for export to UK and European supermarkets via integrated GVCs/GPNs. During the first phase of research, 117 semi-structured interviews were undertaken with state, private and civil-society actors and farmworkers, along with four focus group discussions with 21 farmworkers. An additional phase of key informant interviews and secondary research was carried out to document the 2012/13 labour crisis.

Facilitative governance

Following the end of apartheid in 1994, a period of unprecedented socio-economic transformation occurred across the South African agricultural sector, spurred by the macroeconomic plan labelled the Growth, Employment and Redistribution (GEAR) strategy (Nattrass 1994; Kaplinsky 1994; Adelzadeh 1996). The overarching goal of the GEAR framework was to achieve sustained economic growth and widespread job creation, via a two-pronged strategy of creating a stable economic and political institutional environment to attract globally mobile commercial investment, on the one hand, and, on the other, transforming to a globally competitive, outward-oriented economy (Mather and Adelzadeh 1998; Clarke 2008). The desired growth in exports was based on an expansion in the tradeable goods sector, driven by the facilitative role of the state. Trade policy was based on a two-tiered approach: first, setting up preferential trade agreements in or with large regional and international trading blocs, opening up new markets for exports, ensuring a stable exchange rate and containing inflation to provide a stable basis for the expansion of export industries; and, second, the removal of import tariffs with a view to controlling input costs and increasing the competitiveness of production for global markets (Vink and Van Rooyen 2009).

Agriculture was the sector most significantly transformed by this post-1994 shift towards trade liberalization. During the apartheid regime, high levels of state support were afforded to the commercial fruit and other agricultural sectors, which included research and development, interest rate subsidies and price supports through a highly regulated marketing system (Williams et al. 1998). Following a review of the increasing disparity between producer and consumer prices of South African agricultural products, an official government enquiry was ordered into the domestic marketing of agricultural products (NAMC 2000; Du Toit 2003, 2004). This coincided with the post-apartheid government's broader

macroeconomic policy agenda, which involved abolishing the General Export Incentive Scheme (GEIS) (an export subsidy benefiting many agricultural export products), the ‘tariffication’ of agricultural import restrictions under South Africa’s World Trade Organization (WTO) commitments, and de-regulating agricultural markets by repealing the Market Act and replacing it with the Marketing of Agricultural Products Act (Bayley 2000; Du Toit 2004). For the commercial fruit sector, the specific implications of these policy decisions were the de-regulation of fruit export markets in 1997, and disbandment of the regulated single-desk export scheme under the Deciduous Fruit Board and Unifruco (Mather and Greenberg 2003; Barrientos et al. 2004). This process resulted in the end of Unifruco’s monopoly over fruit exports, and the merger of Unifruco and Outspan into a private export company (Capespan) competing for fruit and global markets with other South African exporters (NAMC 2000; McKenna 2000).

The post-apartheid Strategic Plan for Agriculture was published by the National Department of Agriculture (NDA) in an effort to form an overall vision for South African agriculture. It identified price risks and anti-competitive practices within agricultural value chains as posing particular challenges for new, resource-poor entrants into the farming sector (NDA 2001; Jacobs 2009), and, in particular, highlighted the potential of ‘increased domination by multinational firms’ to ‘negatively affect the competitiveness of the agricultural sector’ (NDA 2001:13). However, despite the creation of a Competition Commission in 1998, which was given a limited mandate to investigate anti-competitive behaviour, post-apartheid competition policy has failed to break down existing market concentration, and instead reinforced it (Jacobs 2009; Greenberg 2013; Hall and Cousins 2015). The post-apartheid state has moved only to address ‘distortions’ arising from cartel influence on pricing, as opposed to the fundamental structure of the agricultural economy (Hall and Cousins 2015: 4). In these ways, the South African state played a central facilitative role in driving forwards a set of policy conditions which supported the proliferation of agricultural GVCs/GPNs.

Regulatory governance

Despite numerous observers characterizing post-apartheid agricultural policy as neoliberal in character, the post-apartheid state’s regulatory strategy was distinctive for its attempt to combine an expansion of labour regulation with agricultural market deregulation (Ewert and Du Toit 2005). Seen as ‘essential moves against the labour-repressive regime of the past’ (Du Toit 2002: 363), a tranche of extensive labour laws and regulations were drafted by the ANC

government to protect workers, particularly those of black and coloured origin, who were widely exploited during the colonial and apartheid eras. The impact was intended to be especially significant for agriculture, which had been largely untouched by labour regulation during apartheid (Barrientos et al. 2004; Du Toit 2004; Theron et al. 2007; Pons-Vignon and Anseeuw 2009; Benjamin 2011).

The post-apartheid legislative framework included a range of initiatives: the agricultural Sectoral Determination, setting working conditions and minimum wages specific to the agricultural sector; the Basic Conditions of Employment Act (BCEA), establishing a set of standards relating to more measurable facets of working conditions, including paid leave, working hours and formalized contracts; the Occupational Health and Safety Act (OHSA), aimed at ensuring safe employment conditions on agricultural farms; and the Labour Relations Act (LRA), providing South African farmworkers the right to trade union representation and freedom of association. Alongside these public regulations, a raft of private standards was implemented by UK and European supermarkets to assure consumers of decent working conditions in their sourcing base. Most notably, a multi-stakeholder Ethical Trading Initiative (ETI) base code was adopted by the majority of UK supermarkets in 1998, comprised of nine guiding principles, founded on core International Labour Organization (ILO) and related conventions. These include measurable aspects of working conditions, such as wage levels, working hours, prohibition of child labour, and health and safety standards, along with less tangible features such as the right to freedom of association and collective bargaining, the right to freedom from discrimination or harsh treatment in the workplace, and the right to freely choose employment (Barrientos and Smith 2007; ETI 2014). The ETI base code remains in force, and is implemented by lead-firm supermarkets along the GVC/GPN via a process of annual self-assessments by fruit producers and regular physical audits, the frequency of which varies depending on a supplier's perceived risk status (Barrientos et al. 2003; Tallontire et al. 2005; Barrientos and Smith 2007).

The state's labour laws were to be implemented at farm level by Department of Labour (DoL) enforcement agencies. However, field research on 13 commercial fruit farms in Ceres, Western Cape, revealed that the DoL inspectorate lacked the capacity and resources to effectively enforce labour regulations under its coverage. Seven of the 13 farms were found to have received a DoL inspection as little as once every 4-6 years. The most frequently visited farm received an inspection once every two years, with the remaining five farms visited by the DoL once every three years. These findings correspond with other academic

and civil society reports highlighting the lack of DoL enforcement capacity on agricultural farms in the Western Cape (Barrientos et al. 2004; Benjamin 2011; Bhorat et al. 2015). At the same time, the presence of the ETI base code on the fruit farms was found to increase enforcement and compliance levels with labour standards, due to a combination of regular ethical audits and producer incentives to maintain contracts with UK and European lead firm supermarkets. Indeed, national government officials and local labour inspectors were highly aware of the key role played by private codes in driving implementation and compliance with labour standards in the context of weak public enforcement agencies (Author's interviews³).⁴

These findings highlight a complex layering of public and private governance standards, wherein the *enforcement* of labour standards has been effectively 'outsourced' to private agencies along the GVC/GPN, but national state-based regulatory and wage-setting institutions have been critical in determining the *content* of labour standards relating to minimum wages and working conditions. As such, the case of South African regulatory governance is a far cry from what Tim Bartley et al. (2015) have called an 'empty spaces' narrative found in much of the literature, which suggests private standards are transferred into 'unregulated and chaotic' spaces characterized by governance gaps. Rather, and in some respects similar to certain Latin American countries, South Africa represents a model of neoliberalism characterized by enhanced regulatory governance, with private standards layered over active forms of state-based regulation, even while in some arenas the state – particularly at the local level – lacks capacity for implementation and enforcement of compliance (Börzel et al. 2015).

This observation underlines our earlier insistence that private governance does not function independently of political contestation, and is everywhere and always shaped by the interaction with public authority. In the case of South African fruit, we see a complex arrangement where 'outsourced' or 'privatized' regulatory enforcement exists alongside the continued centrality of public regulatory institutions and legislation in shaping labour regulation. Yet, despite the distinctive engagement of the South African state in an attempt to boost labour regulation, neither public nor private regulatory governance strategies have been successful in securing improved distributive outcomes for the most vulnerable groups of casual workers.

³ Interviews with four DoL Inspectors, Cape Town, June 2012, and the Chief Inspector of Labour, Pretoria, August 2012.

⁴ The principal private standards highlighted by fruit industry experts and national suppliers are GlobalGAP, Nurture (Tesco), Field to Fork (M&S), HACCP, Fairtrade, British Retail Consortium (BRC), Leaf (Waitrose).

Distributive governance

For South African fruit producers, the commercial focus in GVCs/GPNs has been to sell directly, either through coordinated supermarket value chains or via import/export agents, into retail markets in continental Europe and UK. Since the 1990s, this has involved European supermarkets purchasing fruit via a system of pre-programming, whereby requirements are established roughly 6-9 months prior to fruit purchase, with the majority of fruit procured on a consignment basis without fixed or minimum price guarantees, and trade co-ordinated via supermarket ‘preferred suppliers’ who use selected import/export agents and trust-based relations (Author’s interviews⁵; Barrientos and Visser 2012). On all farms under study, the majority of fruit produced was destined for global markets via ‘preferred suppliers’ operating along the value chain, with a smaller percentage supplied to domestic supermarkets and wholesale market traders. The UK and continental Europe remained the primary export destination of fruit produced, although a trend was observed towards export for additional destinations such as Africa, Asia, the U.S. and the Middle East.

Supermarket buyers are able to extract economic rents from a weaker supply base by targeting higher-value-added consumer-focused tasks, which include design, branding and cultivating market opportunities (Kaplinsky 1998). Interviews with fruit industry experts and national suppliers described a trend by which UK and European supermarkets have placed increasing quality demands on South African fruit producers, whilst demanding consistent volumes of low-cost, competitively priced fruit (Author’s interviews⁶). Indeed, fruit producers interviewed were aware that much of the value of the fruit they produced at farm level was captured upstream by lead-firm supermarkets (Author’s interviews⁷). Recent research has sought to estimate the cost distribution along the value chain for fresh fruit produce. Although such estimation is difficult due to the variable nature of costs and prices, Barrientos and Visser (2012: 17-18) provided an example of value chain distribution of final retail price for table grapes from the Western Cape to the UK in 2011, wherein 42 per cent of final retail price was captured by supermarkets, 32 per cent by distribution, and only 18 per cent by producers.⁸ As observed by a fruit producer operating on one of the case-study farms:

⁵ Interviews with three fruit industry experts, Stellenbosch, June 2012.

⁶ Interviews with three fruit industry experts, Stellenbosch, June 2012 and two national suppliers, Ceres July 2012.

⁷ Interviews with 16 fruit producers across the 13 case-study farms, Ceres, Western Cape, July 2012.

⁸ Existing data concerning the percentage of value captured by different chain actors document the disparity between lead firm supermarkets and producers, but do not currently extend to the level of farm labour. As

‘Let’s put it in balance for you, for R10 that is spent in the supermarket in the UK on fruit, the farmer down here, it’s about R2 he gets, for that fruit. And that, he’s got to pay everything on the farm, and also his return on investment’ (Author’s interview⁹).

Alongside the rising costs of adhering to private codes and standards enforced by lead firms in the value chain, industry data indicate additional increases in production costs (Hortgro 2015; USDA 2015). Rising input costs include pesticides, fertilizer, fuel, electricity, packaging materials, planting materials for rootstock and seedlings, and most significantly, labour, estimated as being equivalent to 52 per cent of gross farm income in 2011, compared with 35 per cent in 2000 (Barrientos and Visser 2012; Hortgro 2015). Despite an increase in fruit exports, a combination of global commercial pressures inherent in the fruit production process and rising production costs have thus contributed to declining net profits for South African fruit producers. Although obtaining financial information on farm incomes is challenging, fruit producers in Ceres confirmed this overall decrease in net profits in recent years, with one farm owner stating that; *‘the margins (of overall net profit) get smaller and smaller and smaller. It’s declined from 24 to 21 to 13 to 11%’* in the time period from 2000 to 2012 (Author’s interview¹⁰). These pressures have in turn driven increasing market concentration, as less profitable farms are purchased by more commercially viable operations.

As a consequence of these escalating commercial pressures, precarious work has dramatically increased across the commercial agricultural sector, driven by processes of casualization and externalization.¹¹ In 2001, it was estimated that 1 million farmworkers and 3 million dependants were working and living on agricultural farms, with approximately 640,000 permanently employed and 300,000 recruited on a casual basis (Hall, Kleinbooi and Mvambo 2001; Stats SA 2005). In 2014, the total number of permanent and casual agricultural workers was estimated to stand at around 696,288, with a roughly equal ratio of permanent (on-farm) and casual (on- and off-farm) farmworkers operating in commercial agriculture (Hall et al. 2001; Stats SA 2002, 2005, 2007, 2014).

indicated in this section, farm labour comprises a large percentage of gross farm income, albeit with significant variations in remuneration between permanent workers and casual workers.

⁹ Interview with fruit producer on one of the case study farms, Ceres, Western Cape, July 2012

¹⁰ Interview with a fruit producer operating on one of the case-study farms, Ceres, Western Cape, July 2012.

¹¹ Casualization refers to a transition from full-time, permanent employment to part-time, seasonal, fixed term or temporary contracts. These workers nevertheless remain in a direct employment relationship with their employer. Externalization refers to a process where workers are not employed directly by the main user of their labour, but an intermediary who acts as a ‘labour service provider’ or ‘broker’ to that end user (Theron and Godfrey 2000; Alford et al. 2017).

The commercial fruit sector has similarly undergone a sharp increase in the use of casual labour, with an overall decrease in permanent workers relative to those on short-term contracts. Permanent workers operating in the table grape industry decreased from a mere 28 per cent of the total workforce in 2007, to only 20 per cent in 2010/2011 (SATI 2011). On all of the 13 farms forming the basis of our qualitative empirical data, the average ratio of seasonal to permanent farmworkers was 68 to 32 per cent respectively during peak season. Increased use of seasonal labour helps reduce both direct and non-direct wage costs, enabling farmers to deal with increasing value chain pressures and vary workforce numbers depending on market and climatic conditions.

Whilst, as outlined earlier, public regulatory institutions played a central role in setting agricultural minimum wages, the field research revealed that casual farmworkers' wages, found to be in line with or marginally above the legal minimum of R69 per day, were below the cost of living. Despite casual farmworkers on all the farms receiving legally stipulated minimum wages, they consistently indicated that this amount was insufficient to support family dependants and pay for everyday household goods, medical expenses, and transportation into nearby towns to access every-day services: *'I am on the minimum. If you earn 70 something rand a day, you have nothing'* (Author's interviews¹²).

This finding reflects broader data generated by the Bureau for Food and Agricultural Policy (BFAP) on working poverty levels in the South African agricultural sector. Its report provided a comprehensive analysis of living costs for farmworkers between 2008 and 2012, estimating the effect of inflation on the lowest paid casual farm workers (BFAP 2012). It demonstrated that whilst agricultural minimum wages had historically been increased in line with the consumer price index (CPI) at levels in the region of 5-6 per cent since 2003, food inflation had been significantly higher. Between 2010 and 2012, the official CPI for food was 18 per cent, and, based on the five most basic foods consumed by low-income earners, food inflation for casual farm workers in that period was estimated at 28 per cent (BFAP 2012). Figure 1 displays this monthly rate of inflation for a 'basic food basket', from January 2008 up until October 2012, with casual farmworkers falling under the 'BFAP poor person's index' category. Accordingly, the report determined that an average household (consisting of

¹² Interviews with eight casual farmworkers, and three focus groups with a total of four permanent and 17 casual farmworkers (focus group 1: four permanent and two casual; focus group 2: four casual; focus group 3: eight casual), Ceres, Western Cape, July 2012.

2 adults and 2 children) would require two full time wage workers earning R150 per day in order to afford a ‘balanced daily food plate’ (BFAP 2012:49).

-- Figure 1 around here --

What we have seen thus far from our discussion is a core tension between facilitative, regulatory and distributive governance in South Africa, wherein the government has stimulated a proliferation of buyer-driven, price-sensitive agricultural GVCs/GPNs at a time when private regulatory governance initiatives have exacerbated increasing production costs for producers, and public regulatory initiatives have failed to halt the explosive casualization of labour markets and a growing gap between wages and living costs. In what follows, we argue that these tensions lay at the heart of the widespread and unprecedented labour crisis in the Western Cape, which offers significant additional insights into the dynamics of state governance in GVCs/GPNs.

Political contestation and labour crisis in South African fruit

From November 2012 to March 2013, labour mobilization spread throughout the Western Cape fruit sector, with Ceres being among its key centres. Its protagonists were casual farmworkers supplying retailers based in the UK and Europe, demanding increased wages and improved labour conditions. The origins of the crisis can be traced to the sale of a commercial fruit export farm located in de Doorns, Hex River Valley, by a single fruit producer to a large commercial operation, South African Fruit Exporters (SAFE). Following the transition of farm ownership, 300 local and foreign migrant farmworkers downed tools and protested against SAFE for contravening an agreement they had with the previous farm owner, stipulating that permanent contracts and wage levels would be maintained following the sale. Despite this agreement, protesters alleged that SAFE opted to significantly restructure the farm workforce, reducing the number of core permanent workers and using greater numbers of casual workers to increase the ‘effectiveness and performance’ of fruit production on the farm (Washinyira 2012). Tensions dramatically increased between

employees and their employers, as indicated in the following statement made on behalf of the farmworkers employed by SAFE during the initial stages of this localized unrest:

‘Some of the workers have been employed there for over 18 years. The workers feel exploited and are not happy with the way SAFE changed their permanent contracts to seasonal contracts when the farm owner died three months ago. The new seasonal contracts state that the employees are no longer permanent workers but seasonal’ (Washinyira 2012).

In addition to their change in employment status, protesting farmworkers expressed grievances against SAFE for opting to drastically reduce wages on the farm, from their existing levels of R90-R130 per day to a flat rate of R69 per day (in line with the minimum wage) for workers who were to be re-employed on a casual basis. As the unrest spread throughout the Western Cape, casual farmworkers repeatedly stated that their decision to take direct action through labour strikes was in response to declining wages which were insufficient to meet escalating basic living costs (Author’s interview¹³; Knoetze 2012).

During this initial unrest, protesting farmworkers called upon a local non-governmental organization (NGO), PASSOP, to help increase the profile of the strikes and place pressure on SAFE, in the form of prospective reputational damage associated with bad employment practices. The immediate impact was that seasonal farmworkers employed by SAFE were re-instated on their previous wage of R90–R130 per day. Of greater significance was the fact that this victory reverberated around the Western Cape, particularly amongst casual farmworkers frustrated with their wages and employment conditions (Visser 2016). This rapid escalation can be explained by a number of factors, including shared grievances amongst networks of off-farm workers, and enhanced communication channels through cell-phone social media applications and community chat forums (Alford et al. 2017).

As the unrest spiralled, trade unions, NGOs and labour activists became involved and escalated the action, including the Congress of South African trade Unions (COSATU), the Food and Allied Workers Unions (FAWU), Black Association of the Wine and Spirit Industry (BAWSI) and Black Allied Workers Unions of South Africa (BAWUSA). Such organisations took on the role of principal negotiators and spokespeople for the protestors, using the media as a vehicle to attract wider support for the strikes, highlight the alleged

¹³ Telephone interview with fruit industry expert, March 2013.

exploitation of farmworkers, and target national state regulatory agencies responsible for setting agricultural wages (Knoetze 2012).

At this stage, the primary demand directed to the government by striking farmworkers was for an immediate increase in the minimum wage from R69 to R150 for those at the bottom end of the pay-scale, along with increased protection and representation from state regulatory institutions and local civil society organizations (Alford et al. 2017). Latterly, the unrest became increasingly heated, as farmworkers in conjunction with civil society actors successfully disrupted the commercial functioning of fruit GVCs/GPNs by strategically blocking the principal arterial routes connecting fruit production units to supermarket exports via Cape Town shipping ports (Farmer's Weekly 2013). This served the dual purpose of causing significant economic and functional disruption to the value chain at the peak of the table grape and deciduous fruit harvest, and quickly attracted the attention of media outlets and government agencies responsible for facilitating commercial exports and regulating working conditions (Business Day 2012). The escalation of the action also resulted in the incineration of several farming units and the deaths of three farmworkers.

The crisis precipitated shifts in both the regulatory and the facilitative governance strategies of the South African state. Following sustained pressure from striking casual farmworkers and, later, civil society organizations, the key regulatory agency – the DoL – announced an immediate review of the Sectoral Determination for the agriculture sector (Mail and Guardian 2013). A core aspect of the review process was articulated in the form of a government-sanctioned report by the Employment Conditions Commission (ECC), which sought to determine revised wage levels for farmworkers following the labour unrest:

'While the situation of permanent farm workers is not cause for immediate concern, especially on the intensive fruit farms that were analysed, the reality is different when it comes to seasonal workers. Permanent workers seem to earn more than the current minimum wage on these farms...The position of seasonal workers seems to be different, however, and even on the fruit farms they earn at most around R84 per day compared to the minimum wage of just less than R70 per day' (ECC 2013: 73).

The ECC report went on openly to acknowledge that a seemingly unaffordable minimum wage of R150 still did not provide the majority of households with required nutritional intake to make them food secure (ECC 2013: 73).

The reaction of fruit producers and agricultural employer unions (TAU-SA, Agri-SA, Agri-WesCape) to civil society and worker demands for significant increases in the agricultural minimum wage illustrates the wider commercial pressures placed on the regulatory governance process in fruit GVCs/GPNs. Their concerted response was that the requested wage level of R150 was ‘unaffordable’ and ‘unsustainable’, and would be irreconcilable with global competitive pressures inherent in the fruit value chain, given their low levels of bargaining power vis-à-vis the powerful lead-firm supermarkets (Author’s interview¹⁴; Fresh Fruit Portal 2013). Fruit producers explained the tension between their need to retain a core of skilled, permanent workers whilst keeping production costs low in order to meet the stringent production requirements set by lead-firm supermarkets (Author’s interviews¹⁵). On that basis, fruit producers placed concerted political pressure on national state regulatory institutions during the wage review process, arguing that a proposed blanket wage increase for farmworkers was ‘massively simplistic’, due to the fact that permanent farmworkers received approximately 30-35 per cent more than the amount of their wage packages in the form of non-wage contractual benefits, such as on-farm housing and funeral and provident funds (Davis 2013). Fruit producers further argued that although laying off skilled permanent farmworkers as opposed to their less costly casual counterparts may result in greater financial savings, this would be highly detrimental to fruit production and business operations given global value chain pressures and stringent supermarket demands for high quality, low cost products:

‘Laying off the highest paid workers would save me the most, but that would mean cutting the most productive and skilled workers and would be suicidal for the business.’ (Fruit producer, Western Cape, cited in Davis 2013).

These reactions in turn prompted facilitative governance actors to shift their stance in relation to the South African fruit crisis. In an unprecedented change in policy direction, senior officials at the Department of Trade and Industry (DTI) for the first time acknowledged wider commercial pressures and asymmetrical value chain distribution as hindering the ability of fruit producers to meet increasing labour costs. This shifting stance was highlighted by the DTI Minister, who recognized the pressing need for locally-based fruit producers to capture more of the value of fruit and agricultural products at the local scale of production: *‘We need to elevate our place in global value chains and not be satisfied with just being primary*

¹⁴ Telephone interview with fruit industry expert, March 2013.

¹⁵ Interviews with 16 fruit producers across the 13 case-study farms, Ceres, Western Cape, July 2012.

producers and exporters' (Crotty 2012). Accordingly, the DTI Minister called for the South African state to adopt a more assertive stance with supermarket buyers in order to improve the terms and conditions of fruit producer integration into agricultural GVCs/GPNs, and secure increased value capture at national and local scales (Crotty 2012; Davies 2013).

Since the time that these statements were made in 2012, the South African state has made limited progress in specifying in concrete policy terms what such an approach could look like, beyond calling for increased processing of agricultural products prior to export in order to promote higher value-added production and capture a higher proportion of domestic value (CTG 2012). Most recently, these policy intentions have been articulated in the DTI's ninth annual version of the Industrial Policy Action Plan (IPAP), which directly targets investment for the agro-processing industry (Business Day 2017; DTI 2017). However, such proposals have received early criticism from an implementation perspective, with provincial government actors citing a lack of inter-governmental cooperation and inadequate support provided by national trade and agricultural departments to local agencies (Farmer's Weekly 2017).

The re-articulated facilitative stance adopted by the DTI, geared, at least on paper, towards challenging lead-firm purchasing practices and capturing increased national and local value of fruit production, was countered by the aforementioned pressures from producers and industry associations over the potential threat to the global competitive position of the South African fruit sector following significant increases in labour and production costs (Sherry 2013). This internal tension in the state's facilitative strategy resulted in regulatory governance institutions such as the DoL implementing a more modest minimum wage increase than that originally demanded by protesting farmworkers and civil society organisations, from R69 to R105 per day, applicable to the whole of the commercial fruit and wider agriculture sector.

In response to the crisis, we have thus seen a rhetorical shift away from a conventional facilitation narrative which nevertheless failed to materialize into a different form of state governance of GVCs/GPNs, and a regulatory governance response which resulted in some limited wage gains for casual farmworkers, but was substantially watered down. In part this is a continuation of the tensions between facilitative and regulatory/distributive governance that we identified as underlying the emergence of the crisis in 2012/13, where the divergent impulses of state actors and institutions across different governance functions prove disabling

for a concerted strategy of achieving improved wages and labour conditions. Yet our discussion has also offered important insights into the forms of political contestation which shape state governance, the competitive commercial forces which bear on these politics of governance, and by extension the interaction between public and private power which structures GVCs/GPNs and the manner in which they are governed. Our conclusion draws out these insights and reflects on their significance.

Conclusion

Our first purpose in this article was to explore empirically how the dynamics of state governance in GVCs/GPNs played out in the particular context of post-apartheid South African fruit production, and to reflect on what accounts for the failure of state governance to achieve its stated regulatory and distributive aims. We have identified a complex picture, which challenges some prevalent assumptions about the nature of state power in the governance of GVCs/GPNs, and its relationship with private power.

Facilitative governance in South African agriculture has taken fairly conventional directions based on trade liberalization and deregulation, and a move in the fruit sector towards a commercial context of integration into GVCs/GPNs dominated by the market power of lead-firm supermarkets. Regulatory governance, conversely, stands out as challenging the conventional narrative of national states facilitating a ‘race to the bottom’ in the GVC/GPN context by withdrawing from regulatory functions. Much of this narrative is questionable in any case, not least in view of an apparent, incipient ‘regulatory renaissance’ in some countries. But the South African government’s longstanding strategy of pursuing parallel drives towards facilitation and active, extensive regulation for labour standards still offers a comparative contrast with many other political-economic contexts, where states, through ‘positive’ agency or as a result of weak bargaining power vis-à-vis transnational business, have prioritized a systematically deregulatory strategy, or else engaged in a form of regulatory governance which features the delegation of functions to private actors. In the South African case, some dimensions of labour regulation were indeed delegated to private agencies – notably core enforcement functions where the lack of capacity on the part of the DoL meant that the enforcement space was filled predominantly by the ETI and auditing companies. Yet the content of labour regulation, particularly in relation to wages, was determined much more strongly and actively by state-based and government institutions.

Even so, the regulatory strategy pursued by the South African government cannot be said to have been successful. Despite the attempt to install an extensive regime of regulatory protection for workers, given additional impetus by the collective mobilization and political struggle of the 2012/13 labour crisis, we saw that minimum wage increases have remained below the rising cost of living, and we documented the explosive growth in precarious work and casual or ‘externalized’ employment relations as a *direct* expression of the response by fruit producers to the conflicting demands of commercial and regulatory pressures. We have argued that this landscape of distributive governance was shaped by the tensions between facilitative and regulatory governance in South African fruit, and that these tensions have been strongly shaped by the forms of political contestation between different actors within the GVC/GPN landscape (including states) in determining the distribution of gains and costs. Yet the picture is not one of regressive distributive outcomes emerging from an absence of active state regulation or ‘governance gaps’, as much of the literature would suggest. Instead, in this case, distributive outcomes are shaped by the tensions between facilitative governance and the *active* regulatory governance strategies of the state designed to improve social outcomes, combined with how producers and employers have sought to reconcile commercial pressures with national regulation on wages and conditions.

This latter point is critical, inasmuch as it underlines how the competitive dynamics of GVCs/GPNs represent a significant barrier to the resolution of these tensions in state governance. We have seen how the pronounced discrepancy between the costs of production for farmers and the prices paid by lead supermarkets in the fruit GVC/GPN has consistently disabled the South African government’s attempts to pursue active regulatory governance strategies, even as the state has moved to respond to the pressures from labour and civil society mobilization to provide enhanced regulatory protection. This is, in other words, representative of a wider story about the tensions between public and private governance in GVCs/GPNs. Our empirical account of South African fruit documents the twin impact of commercial dynamics and political contestation between state, civil society and private actors (both global lead firms and local producers) in governing the GVC/GPN, militating against wage increases and improved labour conditions.

In part, the picture we have painted provides grist for the increasingly forceful argument favouring appropriate combinations of public and private governance as the only viable way to ratchet up standards. In South Africa as elsewhere, private governance alone has been mostly ineffective in bringing about improved distributive outcomes, and the state remains

the only authority capable of either regulating business in a traditional sense, or, more imaginatively, finding ways to ‘leverage private governance for public purpose’ (Mayer 2014). The logical implication of our argument concerning the tensions within state governance is that, given their connections with the commercial context of GVCs/GPNs, they cannot be resolved by state agency alone, and instead require reinforcing action from firms and other chain actors.

However, an alternative reading invites caution in such an assessment, inasmuch as we have much more evidence of an enduring tension between public and private governance than of their successful ‘partnership’ in the governance of GVCs/GPNs. Taking a more structural perspective, the challenges for governance are not simply the sourcing practices of firms, but rather the foundational logic of GVCs/GPNs – the mobilization of vast market, political and social power asymmetries in the interests of creating and capturing profit (Milberg and Winkler 2013; Phillips 2017). In this sense, for state governance, a *structural* tension can be said to exist between facilitative governance – designed to enable this foundational logic of GVCs/GPNs – and regulatory and distributive strategies directed to improving the social and labour conditions underlying the commercial dynamics of production. At the same time, our South African case has underlined the challenges for all national states of governing value chains and production networks which reach well beyond national borders, such that a core – and as yet unresolved – tension exists between the reach of (national) public authority and (global) private authority in GVCs/GPNs.

Yet this is far from a re-run of the old argument that public power is disabled by private power in a globalized economy. The clear message from our analysis is that states and public authority remain central to the governance of GVCs/GPNs across the dimensions of facilitation, regulation and distribution, and that the relational dynamic between public and private governance remains *the* critical issue both for academic debates and for the prospects of achieving more sustainable and equitable modes of global production. The relationship is always and everywhere politically contested, involving deeply asymmetrical relations of market, political and social power (Phillips 2017). There is a need, consequently, to move away from an economistic privileging of private power and inter-firm relations as the core of the study of governance in GVC/GPN debates, to carve out greater theoretical, analytical and empirical space for the institutional and socio-political contexts of global production. Such a commitment will open up an expansive new terrain for future GVC/GPN research, widening

its disciplinary reach, and inviting new insight into how the global political economy is – and needs to be – governed.

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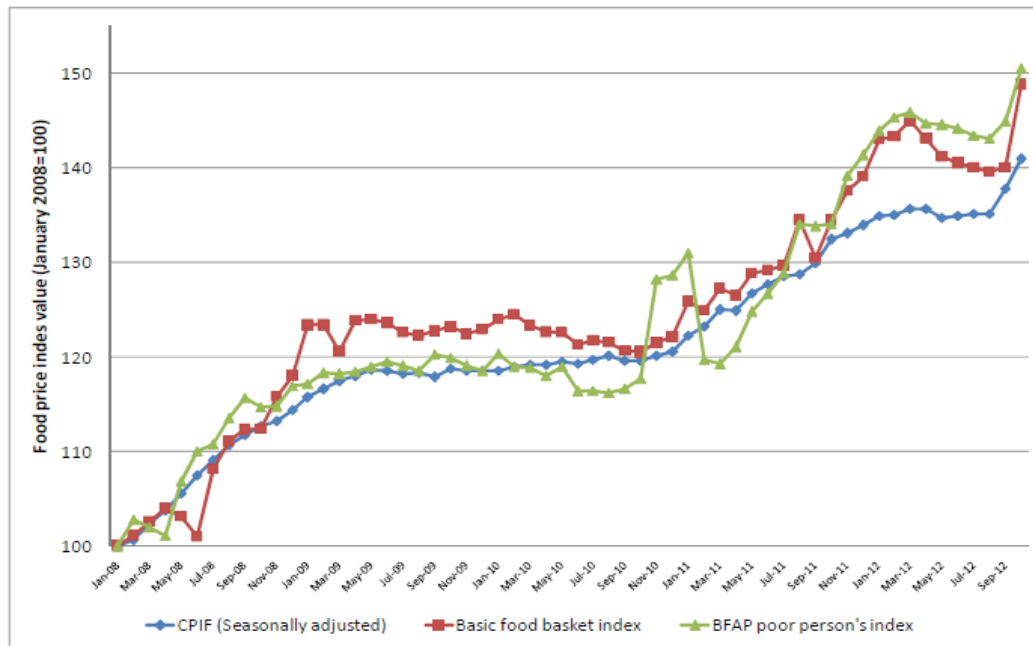
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Figure 1. Monthly food price inflation in South Africa: January 2008 to October 2012



Source: BFAP (2012:42)